

Message Text

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ACTION EB-07

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FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC PRIORITY 672

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E.O. 11652: N/A

TAGS: EFIN, SU

SUBJECT: USG/SUDAN RELATIONS; EXIM FINANCING FOR KENANA

REF: STATE 231925

1. REFERRING TO DISCUSSION OF KENANA PROJECT WHICH HE EVIDENTLY HAD SEVERAL WEEKS AGO IN DEPARTMENT WITH UNDER SECRETARY SISCO, LONRHO'S TINY ROWLAND SAW AMBASSADOR NOV 14 TO APPEAL FOR MODIFICATION IN TERMS EXIM LETTER OF OFFER OF OCT 2 (PRELIMINARY COMMITMENT NO. 76-0-3534). ROWLAND CLAIMED PROJECT FINANCING ARRANGED EXCEPT FOR EXIM PORTION (\$13.5 MILLION). AFTER TALKING WITH SUDANESE, ROWLAND BELIEVED EXIM PROPOSAL ACCEPTABLE EXCEPT FOR SECURITY ARRANGEMENTS (PARA 5 (A)) WHICH WOULD REQUIRE OTHER SHAREHOLDERS TO GUARANTEE REPAYMENT TO EXIM BY BORROWER. ROWLAND CLAIMED THIS PROVISION MORE RESTRICTIVE THAN THAT USED IN ANY SIMILAR CREDIT PROPOSAL IN PAST DECADE. HE WONDERED IF ITS INCLUSION REFLECTED POLITICAL CONSIDERATIONS ON PART USG AND ASKED WHETHER AMBASSADOR WOULD RECOMMEND TO SENIOR DEPARTMENT OFFICIALS THAT OFFENDING LANGUAGE BE DROPPED AS BOTH SUPERFLUOUS AND OFFENSIVE TO DIGNITY NEWLY INDEPENDENT AFRICAN STATE. EXPORT CREDIT AGENCIES IN UK AND JAPAN ALREADY PREPARED GO ALONG WITH SUCH EXIM ACTION.

2. AMBASSADOR REPLIED HE WOULD OF COURSE REPORT ROWLAND'S APPROACH. HE NOTED, HOWEVER, THAT POLITICAL RESTRICTION ON LIMITED OFFICIAL USE

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NORMAL EXIM OPERATIONS VIS-A-VIS SUDAN HAD BEEN REMOVED

LAST MAY AND THAT REQUIREMENTS PROPOSED BY EXIM THUS REFLECTED TECHNICAL JUDGMENTS THAT AGENCY ONLY. ROWLAND NOTED PRELIMINARY COMMITMENT WILL EXPIRE BY END NOVEMBER AND SAID HE HOPED EXIM PRESIDENT CASEY COULD BE PERSONALLY PREVAILED UPON TO DROP RESTRICTIVE LANGUAGE RE SHAREHOLDER GUARANTORS.

3. COMMENT: VIEW ROWLAND'S EARLIER TALK WITH SECRETARY SISCO (NO RECORD OF WHICH RECEIVED HERE), SENIOR DEPARTMENT OFFICIAL MAY WISH DISCUSS FOREGOING FURTHER WITH CASEY. FROM OUR STANDPOINT, IT WOULD SEEM THAT THERE MIGHT BE SUFFICIENT PROTECTION FOR EXIM'S PROPOSED EXPOSURE IN OTHER SECTIONS OF PROPOSAL (E.G. PARA 5 (D) RE TRUST ACCOUNTS) TO MAKE SHAREHOLDER GUARANTOR PROVISION AT LEAST IN LARGE PART IN NATURE OF OVERKILL. AMBASSADOR STRESSED OUR HOPE AMERICAN EQUIPMENT (ESTIMATED AT \$30 MILLION) WOULD CONTINUE TO BE PROCURED EVEN IN ABSENCE EXPORT CREDIT FINANCING, BUT ROWLAND LEFT CLEAR IMPRESSION, IN SUCH EVENTUALITY, PROCUREMENT WOULD BE ELSEWHERE.

4. BECAUSE OF GREAT INTEREST SENIOR SUDANESE OFFICIALS IN SUBJECT PROJECT, WOULD APPRECIATE RESPONSE FROM DEPT AS TO WHAT ACTION IT MAY BE DECIDED TAKE VIS-A-VIS EXIM.
BREWER

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